

FACT SHEET

Convention Center Headquarters Hotel Project

The Selected Proposer

Gould Property Company of Washington, DC, in partnership with the Marriott Hotels Corporation, has successfully developed many residential and hotel projects in the metropolitan area specifically in downtown DC and the Crystal City area near National Airport.

Founded in the District of Columbia, Marriott is probably the largest hotel firm in the world and owns of several of the District's largest hotels. It is also a leader in the convention center hotel industry with several convention center hotel facilities across the country.

The Site

The Gould Site is approximately 2.8-acres, comprised of two components in Squares 370 and 369. The south portion of the site is Square 370 and is generally bordered by L Street, 9th Street, Massachusetts Avenue, and 10th Street. This portion of the site excludes development of the site containing the PEPCO Substation. The north portion of the site is part of Square 369 and is generally bordered by two public alleys, 9th Street and L Street.

The northern section of the Gould Marriott, which includes part of Square 369, sits in the designated Shaw Historic District, while the southern section, in Square 370, is not in this district. The northern section of building adjoins the Plumber's Union building, which is a National Historic Landmark.

Financing

Gould Marriott was asked to prepare both a private transaction scenario which contemplates private ownership and private debt financing of the project in the debt market, as well as a scenario which assumes the development of a hotel to be owned by a District of Columbia instrumentality, which would seek financing in the tax exempt bond marketplace.

Traditional Private Finance – The development team has proposed raising a combination of private debt and equity along with financial support from the District to pay for construction costs in excess of those supported by the project's cash flows.

Special Purpose Development Subsidiary Finance – This option entails the District establishing a special purpose development subsidiary whose sole responsibility would be the development and operation of the hotel. This structure allows access to the tax-exempt bond market, lowering capital costs and significantly reducing or potentially eliminating any District cash participation. The development team has offered to lease its land to the District entity as part of the transaction, as well as purchase the lowest tranche of bonds, further reducing the up-front bonding requirement. Under this structure, Marriott would operate the hotel for the special purpose entity, with a portion of its fees paid after the debt service requirements have been met.

The District is reviewing both options and the alternatives under each option with its consulting and financial advisory team.

In order to be competitive with other new convention centers of the scale and class of Washington, DC, a convention center must have a headquarters hotel that is in close proximity to the convention center itself and which has a room block agreement, barrier-free meeting space and ballrooms; and other special amenities. Amenities of this character and size are not typically economically feasible without public participation.

Fact Sheet

GOULD/MARRIOTT SUMMARY	
Current Program	Rooms: 1,100-1,500 Suites: 60 Meeting Space: 90,000 Parking Spaces: 620
Site (SF)	9 th and Massachusetts Avenue, NW (Square 370) The total site has a footprint of 113,720 SF
Room Block Agreement	1,000 rooms; 40 suites subject to specific conditions, at a pre-set price, based on ADR.
Private Model	
Estimated Development Costs	Approximately \$500 million including land and all financing costs
Estimated NOI	Over \$34 million per year
Estimated Financing Ratios	First Mortgage: 70% Mezzanine 1: 0% Mezzanine 2*: 15% Equity: <u>15%</u> 100% * Requires Credit Enhancement and/or TIF type structure
Developer Participation	Significant debt-raising guarantees Required deposit for late start; 12 months after development agreement if they have not completed 75% of the design; forfeit deposit after a to-be-negotiated construction start date.
District Participation	Allocation of TIF Notes or a comparable TIF structure and a PILOT agreement
Public Model	
Estimated Development Costs	Approximately \$500 million including land and all financing costs
Estimated NOI	Over \$34 million per year
Estimated Financing Ratios	Tranche A (Senior): 68% Tranche B *(Subordinate Senior): 27% Tranche C (Developer): <u>5%</u> 100% *May be sold in two tranches
Developer Participation	Hotel Operator "Key" Money Investment Developer buys bond Tranche C Required deposit for late start; 12 months after development agreement if they have not completed 75% of the design; forfeit deposit after a to-be-negotiated construction start date.
District Participation	Creation of tax-exempt District Instrumentality to act as debt issuer allows for a reduction in financing cost.